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Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303-3083

college of business administration
economic forecasting center
404/658-3252

MONTHLY PROJECTIONS
September 1986

Dr. Donald Ratajczak, Director
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SOLID GROWTH REMAINS ELUSIVE

Trade improved substantially in the August reports, reflecting reduced manufacturing purchases following a dramatic surge in July. As oil imports fell to 218 million barrels and as the price of oil in August declined to $11.97, imports in subsequent months almost certainly will rebound. Therefore, the August improvement in trade provides little reason to believe that trade balances will be improving in the remainder of the year.

Indeed, the employment situation for September strongly suggests that the economy is virtually stalled. Strike activity removed nearly 30,000 jobs from the machinery sector, but manufacturing employment probably would have been unchanged even if walkouts had not intensified. Oil and gas exploration continued to dip modestly while construction activity appears to have reached an upper limit for this cycle. In short, in the absence of any significant improvement in trade relationships, the goods producing sector of the economy will provide no new jobs for the remainder of this year. As tax reform will significantly increase the costs of carrying construction inventories, a substantial construction inventory correction will develop in 1987. This means that the construction outlays should begin falling sharply before the end of 1986. Much of the weakness will be concentrated in lodging, rental properties, and commercial building. In the absence of significant improvement in trade relations, employment opportunities in goods producing industries will be falling in 1987 as a result of the construction slump.

Through most of this economic expansion, the service sector has been more than offsetting the goods producing sector. However, employment trends suggest that little further gains are developing in the transportation and communications sectors. Wholesale trade also has flattened. Retail trade continues to move significantly forward, as back-to-school sales were stronger than anticipated, auto incentives are generating more auto sales than had been expected, and eateries continue to expand aggressively. The financial sector also appears to be growing vigorously. However, real estate brokers no longer are growing, while business services are expanding at a slowing rate. On balance, the weakness in goods producing activity during 1987 will be accompanied by more modest gains in service payrolls than in the current year. While

no recession appears to be developing, economic growth almost certainly will be slower in 1987 than in 1986.

Anyone concerned about researching inflation must consider who will be the income-gaining beneficiaries of these inflationary surges. Obviously, with the hourly earnings index at a cyclical low year-over-year rate of 2.0% in September, workers will not be experiencing accelerating incomes. At the current rate of wage cost expansion, unit labor costs in 1987 could expand less rapidly than in 1986. Although interest recipients could increase their earnings in an inflationary environment, it is unlikely that any inflationary surge would quickly be passed along to debt-holders. More likely, interest earnings will grow about the same rate in 1987 as in 1986. Thus, any intensifying inflation must be reflected in improved profit margins and a significant expansion in corporate profitability. However, foreign competition will prevent any significant margin enhancements from developing in goods producing industries. While the inventory correction in construction will begin to encourage higher rental values (rents may ultimately rise between 15 and 20% to replace the tax benefits previously received by real estate owners by improved rental income, only a small amount of rental enhancements will be possible in 1987, when construction product inventories will be especially excessive.) Profit enhancements in other service-related industries do not appear to be significant.

In other words, concerns that inflation will rebound dramatically in 1987 simply cannot be rectified with realistic income and expenditures flows. Of course, inflation will temporarily rebound to more than 5% in the next few months as higher oil prices and then higher prices for automobiles are captured by the price indices. However, these price gains are one-time events that will not significantly alter underlying inflationary pressures.

Quarterly Profile of GNP

	1986-2	1986-3	1986-4	1987-1	1987-2	1987-3	1986 Annual	1987 Annual
Real:	0.6	1.7	2.0	1.8	1.4	1.2	2.4	1.6
Price:	1.8	2.8	3.2	3.5	3.5	4.1	2.7	3.4
Nominal:	2.5	4.6	5.3	5.4	5.0	5.4	5.2	5.0

Monthly Statistical Highlights For September 1986

Personal income +0.4%; savings rate 2.6%; personal consumption +1.0%; retail sales +3.9%; auto sales 15.5 million; housing starts -1.9%; housing permits -3.6%; construction expenditures +0.1%; business inventories -0.2%; orders for durable goods +0.8%; orders for nondefense capital goods +1.7%; industrial production +0.1%; CPI +0.4%; PPI +0.3%; consumption deflator +0.3%; leading indicators +0.2%; real GNP +1.6%; M1 +11.6%; M2 +8.2%.

Monthly Statistical Highlights For October 1986

Payroll employment +170,000; index of hours worked +0.2%; household employment +178,000; civilian unemployment rate 7.0%; personal income +0.5%; savings rate 4.0%; personal consumption -0.1%; retail sales -3.8%; auto sales 10.2 million; housing starts -2.8%; housing permits -3.3%; construction expenditures -0.2%; business inventories +0.2%; orders for durable goods +0.6%; oders for nondefense capital goods +1.1%; industrial production +0.2%; CPI +0.4%; PPI +0.5%; consumption deflator +0.3%; leading indicators +0.1%; real GNP +1.0%; M1 +7.1%; M2 +7.1%.

Commentary

Employment - Although the manufacturing workweek remained unchanged in September, most of the employment statistics showed considerable weakness. Not only did the unemployment rate rise by 0.2 percentage points, but payroll employment increased by only 105,000. The 150,000 gain in service activities reflected a 30,000 increase as a result of a strike ending at NYNEX. Of course, much of the manufacturing weakness reflected strike activity in the machinery and primary metals industries. Excluding strike considerations, payrolls would have been unchanged in manufacturing during September. Because of weakness in durable manufacturing, continued weakness in oil exploration, and no significant rebound in construction, industrial production will not increase in September.

Apparently, seasonal factors are failing to capture a shift in the work habits of young females: More are entering the workforce in June than anticipated in the seasonals. More are leaving in September than the seasonals expect as the pool of females entering higher education continues to rise. This results in a reduction in the unemployment rate during June followed by an increase in September. However, employment weakness in September was more widespread than suggested by seasonal distortions alone.

Employment statistics also indicate that wage pressures remain absent. The hourly earnings index was up only 2.0% from the previous year, which is the lowest year-over-year increase during this cycle.

Personal Income and Outlays - August estimates of outlays captured increases in automobile sales that were not readily apparent in the retail sales statistics. As a result, retail sales probably will experience a significant upward revision in August. If this develops, the percentage change announced for September will be smaller than the 3.9% currently expected. With further auto sales occurring in September, it appears that the savings rate will reach an unusually low 2.6% in that month. Sales are then expected to plummet in October and November after the financing incentives lapse on October 8.

The weakness in personal income despite upward revisions in wage and salary gains reflects lower increases in property income and in farm subsidies than originally projected. Relatively low interest rates will continue to contain interest earnings.

Construction - Weakness in single-family sales, especially in the northeast, suggest that single-family activity will be lower in the next year than originally projected. Tax reform also will cause a significant slowing in rental properties. In effect, the removal of tax benefits from real estate ownership requires an offsetting shift in rental income to justify maintaining real estate in investment portfolios. Somewhere between 15 and 20% gains in rental values will be necessary to replace the tax benefits that are being lost. However, excess inventory of construction products will prevent any rental increases from developing until those inventories fall toward desired levels. Under tax reform, desired inventory is expected to fall below 10% for commercial space and to decline to 4% for rental properties. In order to achieve these vacancies, construction will need to fall to 500,000 rental units for 2 years to eliminate the 7.3% current vacant rate. Commercial construction will need to fall to 180 million square-feet from a peak of 345 million in 1985 and to persist near that level for nearly 4 years to achieve the desired vacancy rate. This construction slump will be the major casualty caused by the tax reform program.

On the other hand, prices of construction products will continue to increase more slowly than other prices until the excess inventory has been eliminated.

Business Activity - Excluding transportation equipment, orders for durable goods have essentially been flat for the entire year. With capacity utilization projected to decline modestly over the next 12 months, orders for nondefense capital goods should gradually ease. Defense orders and shipments will continue to grow. Shipments of nondefense capital goods are expected to show little change in the next year.

As automobile inventories are being sold off, business inventories should fall sharply through September. Because sales have been more vigorous than anticipated, inventories will have fallen below desired levels relative to recent sales. As a result, production of automobiles should intensify significantly during the fourth quarter. However, sales are expected to weaken dramatically, leading to other automobile incentives in 1987.

Prices - A flare up of inflationary pressure is being generated by increasing oil and automobile prices. In the absence of any further production restraints by OPEC, this accelerating inflationary force should dissipate before the end of this year. Relatively modest wage increases should prevent service prices from growing as rapidly as projected in our August forecast. Tax reform uncertainties should restrain price increases for construction goods. As a result, inflation should be slightly less than projected in August.

Miscellaneous - Merchandise trade balances fell sharply in August after being revised down from a previous record in July. While some analysts have hailed this as the beginning of a significant improvement in America's trade balances, the evidence does not warrant this conclusion. Exports continue to show no gains, although the 0.6% decline in exports during August reflect the absence of further nonmonetary gold shipments to Japan. Imports were held down by further declining oil prices. By October, the price of oil delivered to the United States will be more than $16 per barrel. This will be up more than four dollars from the $11.97 per barrel at which oil was delivered in August. In addition, early Christmas orders accounted for much of the July spurt in imports.

Financial Markets

The Federal Reserve has indicated that it will accommodate money demand at prevailing Federal funds rates. As a result, no significant increase in Federal funds rate should be anticipated for the remainder of this year. Such accommodation means that arbitrage potential exists if dealers are willing to hold significant inventories of long bonds. Of course, if the Federal Reserve accommodation led to dramatic increases in inflationary prospects, a steep yield curve would be justified and sustainable, at least until the rising inflationary pressures led to increasing credit market pressures. However, the inflationary fallout from current Federal Reserve policy appears to be relatively modest. Although the money stock has grown dramatically, currency growth has been much more sedate. Most of the growth in checkable deposits is the result of a decline in the interest rate differential between yields on checkable deposits and yields on alternative investments. Now that those yields are about to stabilize, more modest growth is anticipated for checkable deposits in the months ahead.

One short-term concern about interest rates is the investment demand by the Japanese investor over the next few months. Because of the distribution of the Hirohito commemorative coin, Japanese savings will be absorbed by gold purchases into November. This suggests that foreign investor support for the next quarterly funding program by the Treasury Department will be relatively sparse. Therefore, a significant increase in long-term interest rates is possible. However, economic weakness should sharply reduce credit market pressures early in 1987, possibly leading to another decline in the prime and discount rates. For the end of 1987, however, the low point on interest rates for this decade will have been passed and rates will be trending upward.

Equity Markets - In general, the outlook is for similar long-term interest rates to those anticipated in our August forecast. However, economic growth is decidely slower and the returns on capital will be less over the next six months than projected in the August forecast. With somewhat lower earnings prospects and no significant alteration in interest rates, equity values probably would fall. Because of selling by investors with significant capital gains, a decline in equity values already was anticipated toward the end of 1986. It now appears that a stock market decline in the vicinity of 1625 as measured on the Dow Jones index is likely toward the end of this year or early in 1987. A further loosening of interest rates in 1987 should lead to a modestly rising stock market in that year. The Dow Jones index could exceed 2100 before the end of 1987.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	99783	99783	117.8	117.8	108892	108892	7.1	7.1	168.4	168.4
May	99908	99918	117.7	117.7	109110	109110	7.3	7.3	168.6	168.7
June	99819	99843	117.5	117.3	109673	109673	7.1	7.1	169.4	169.2
July	100223	100122	118.0	118.0	109889	109882	6.9	6.9	169.8	168.8
August	100464	100324	118.3	118.6	110016	110155	6.9	6.8	170.1	169.2
September	100705	100549*	118.6	118.8*	110221	110405*	7.0	6.8*	170.3	169.7*
October	100826	100719	118.7	119.0	110367	110583	7.0	6.8	170.8	170.2
November	100878	100990	118.8	119.3	110456	110876	7.1	6.7	171.3	170.6
December	100963	101168	118.8	119.5	110578	111081	7.1	6.7	171.7	171.0
January 1987	101138	101440	119.0	119.7	110794	111374	7.1	6.6	172.2	171.5
February	101360	101643	119.3	119.9	111053	111605	7.0	6.6	172.6	171.9
March	101585	101839	119.5	120.1	111387	111823	7.0	6.6	173.0	172.3
April	101716	101949	119.7	120.1	111453	111937	7.0	6.6	173.5	172.7
May	101829	102051	119.8	120.2	111548	112006	7.0	6.8	173.9	173.0
June	101960	102247	119.8	120.3	111642	112254	7.0	6.8	174.4	173.5
July	102128	102442	120.0	120.5	111863	112480	7.1	6.8	174.9	174.0
August	102310	102612	120.3	120.7	112016	112665	7.0	6.8	175.4	174.4
September	102492	102884	120.5	121.0	112241	112974	7.0	6.7	176.0	174.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	3.485	3.487	2.053	2.055	182.4	183.3	2.987	2.986	2.805	2.803
May	3.476	3.487	2.056	2.058	151.6	152.3	2.976	2.977	2.824	2.825
June	3.479	3.482	2.063	2.063	133.2	123.7	2.975	2.972	2.842	2.848
July	3.498	3.493	2.075	2.070	139.2	118.4	2.986	2.979	2.847	2.861
August	3.516	3.505	2.083	2.082	137.8	93.7	2.998	2.987	2.860	2.893
September	3.534	3.522*	2.092	2.093*	135.5	78.8*	3.011	3.000*	2.876	2.922*
October	3.547	3.540	2.100	2.105	136.1	120.9	3.024	3.015	2.888	2.894
November	3.567	3.558	2.108	2.116	131.1	137.6	3.038	3.029	2.907	2.891
December	3.587	3.575	2.116	2.127	127.3	126.6	3.054	3.046	2.928	2.919
January 1987	3.598	3.588	2.126	2.138	154.2	145.8	3.098	3.078	2.944	2.932
February	3.624	3.606	2.138	2.148	172.5	163.8	3.123	3.097	2.951	2.933
March	3.650	3.623	2.150	2.158	188.4	141.7	3.147	3.111	2.959	2.969
April	3.660	3.637	2.158	2.165	176.2	142.1	3.154	3.123	2.978	2.981
May	3.669	3.651	2.167	2.172	165.2	137.4	3.163	3.137	2.998	3.000
June	3.679	3.667	2.176	2.182	153.9	135.0	3.170	3.149	3.017	3.014
July	3.696	3.684	2.186	2.193	150.5	139.8	3.182	3.166	3.032	3.026
August	3.713	3.702	2.197	2.204	149.3	139.8	3.193	3.181	3.044	3.041
September	3.730	3.722	2.208	2.217	149.6	142.0	3.204	3.198	3.055	3.056

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	2712.0	2710.5	369.7	368.5	920.4	922.1	1421.9	1419.9	2396.1	2396.1
May	2731.0	2731.7	378.9	379.0	925.6	926.6	1426.5	1426.1	2407.6	2410.3
June	2747.3	2753.8	375.4	374.2	931.9	936.4	1439.9	1443.3	2417.3	2418.9
July	2751.8	2765.8	373.8	375.8	927.3	937.7	1450.7	1452.3	2416.0	2427.2
August	2764.4	2797.1	379.6	402.7	927.5	939.8	1457.3	1454.7	2420.7	2453.2*
September	2779.1	2824.6*	383.3	417.3*	932.8	945.0*	1463.0	1462.3*	2425.0	2471.5
October	2790.3	2796.1	379.8	376.0	937.7	949.4	1472.8	1470.7	2426.3	2437.0
November	2808.2	2792.5	381.6	359.8	943.1	953.6	1483.5	1479.1	2433.4	2425.1
December	2828.0	2819.6	384.3	370.9	948.5	958.2	1495.2	1490.5	2442.1	2441.1
January 1987	2843.3	2831.4	388.4	367.6	952.5	964.4	1502.4	1499.4	2449.0	2444.7
February	2849.3	2857.9	384.7	381.9	957.9	967.3	1506.7	1508.7	2447.9	2462.0
March	2857.4	2866.6	383.7	378.8	959.1	971.4	1514.6	1516.4	2446.4	2462.5
April	2875.1	2877.3	385.9	376.4	964.3	976.0	1524.9	1524.9	2453.2	2464.1
May	2894.3	2895.1	388.6	380.8	969.8	980.1	1535.9	1534.2	2461.1	2470.6
June	2912.8	2908.7	392.2	380.6	973.8	985.1	1546.8	1543.0	2468.5	2474.5
July	2926.3	2920.1	393.7	378.9	977.4	989.7	1555.2	1551.5	2471.5	2474.6
August	2937.7	2934.2	391.6	380.6	981.1	993.0	1565.0	1560.6	2472.8	2478.4
September	2947.9	2948.1	388.9	382.4	983.9	996.1	1575.1	1569.6	2473.1	2481.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	117.72	117.72	18.52	18.52	11.0	11.0	72.84	72.84	26.36	26.36
May	118.52	118.68	18.38	18.39	11.3	11.3	73.19	73.12	26.95	27.16
June	118.70	118.96	18.25	18.50	11.0	11.1	73.30	73.36	27.16	27.10
July	118.61	119.26	18.28	18.85	10.9	10.7	73.39	73.38	26.94	27.03
August	119.33	120.18	18.40	18.79	11.2	12.7	73.41	73.48	27.52	27.91
September	119.85	124.84*	18.65	18.89*	11.1	15.5*	73.83	73.89*	27.37	32.06*
October	119.81	120.13	18.86	18.95	10.8	10.2	74.21	74.23	26.74	26.95
November	120.46	118.48	18.89	19.06	10.9	8.6	74.64	74.56	26.93	24.86
December	121.21	120.20	19.03	19.15	11.0	9.7	75.07	74.92	27.11	26.13
January 1987	122.01	120.28	19.14	18.87	11.2	9.5	75.38	75.40	27.49	26.01
February	122.00	122.25	18.93	18.86	11.0	10.9	75.81	75.63	27.26	27.76
March	121.98	122.20	19.14	18.93	10.8	10.6	75.91	75.95	26.93	27.32
April	122.65	122.26	19.17	18.99	10.9	10.3	76.32	76.31	27.16	26.96
May	123.41	123.12	19.31	19.06	11.0	10.6	76.75	76.63	27.35	27.43
June	123.96	123.49	19.36	19.21	11.1	10.5	77.07	77.02	27.53	27.26
July	124.43	123.64	19.46	19.17	11.1	10.4	77.36	77.38	27.61	27.09
August	124.47	124.10	19.26	19.15	11.0	10.5	77.65	77.64	27.56	27.31
September	124.56	124.56	19.21	19.20	10.9	10.6	77.87	77.88	27.48	27.48

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	2.019	2.019	1.242	1.242	1.885	1.885	371.6	373.9	331.8	334.0
May	1.861	1.853	1.247	1.241	1.788	1.788	374.7	374.5	331.6	332.0
June	1.845	1.852	1.223	1.230	1.745	1.792	372.9	375.4	328.3	332.6
July	1.840	1.815	1.215	1.162	1.724	1.759	369.2	378.1	324.4	335.2
August	1.855	1.822	1.259	1.197	1.736	1.654	368.6	382.2	323.3	338.1
September	1.858	1.788*	1.270	1.186*	1.721	1.595*	369.8	382.3*	323.8	337.4*
October	1.826	1.738	1.242	1.152	1.673	1.543	367.3	381.5	320.8	336.1
November	1.815	1.699	1.212	1.126	1.656	1.511	366.5	380.9	319.3	334.7
December	1.804	1.647	1.209	1.083	1.651	1.466	365.7	377.2	317.7	330.6
January 1987	1.793	1.594	1.205	1.056	1.583	1.417	365.0	373.1	316.0	326.4
February	1.770	1.590	1.201	1.063	1.581	1.426	365.3	370.2	315.5	323.6
March	1.746	1.609	1.197	1.084	1.552	1.442	365.3	366.8	314.6	320.1
April	1.725	1.616	1.178	1.102	1.536	1.465	364.9	364.9	313.5	317.6
May	1.740	1.580	1.185	1.078	1.541	1.443	364.3	365.1	312.2	316.9
June	1.701	1.558	1.170	1.056	1.557	1.427	363.8	365.3	310.7	316.3
July	1.695	1.602	1.163	1.085	1.563	1.443	364.6	364.9	310.0	315.4
August	1.704	1.630	1.152	1.107	1.560	1.449	365.5	365.1	309.7	315.0
September	1.700	1.617	1.141	1.089	1.546	1.461	366.9	366.7	309.9	315.6

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	133.4	132.8	70.5	70.6	167.8	170.5
May	130.5	130.1	74.4	71.9	169.8	172.5
June	130.7	130.1	73.7	70.8	168.5	174.5
July	126.4	129.8	71.6	72.5	171.2	175.9
August	125.6	131.9	69.9	73.6	173.1	176.7
September	124.9	132.2*	69.6	73.5*	175.0	176.6*
October	124.2	131.7	70.0	73.7	173.1	176.1
November	124.0	131.6	70.7	74.0	171.8	175.3
December	123.8	130.5	71.4	73.8	170.5	172.9
January 1987	123.8	129.3	71.0	73.5	170.2	170.3
February	124.1	129.0	71.3	73.9	169.9	167.3
March	124.1	127.6	71.6	74.0	169.6	165.0
April	124.3	125.9	71.8	74.3	168.8	164.7
May	124.4	125.2	72.1	74.6	167.8	165.3
June	124.5	125.0	72.4	74.9	166.9	165.4
July	125.0	125.1	72.9	75.3	166.7	164.5
August	125.7	125.3	73.3	75.5	166.5	164.3
September	126.5	125.6	73.6	75.8	166.8	165.3

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E
April 1986	279.4	279.4	103.75	103.75	26.18	26.18	27.36	27.36
May	278.4	278.4	102.62	102.62	26.15	26.15	26.58	26.58
June	278.3	278.4	104.77	102.73	26.74	26.42	27.22	27.24
July	278.5	278.6	106.69	106.22	27.16	27.39	27.25	27.42
August	279.0	278.1	105.36	102.89	27.42	26.29	27.34	27.27
September	279.5	277.8*	107.52	103.76*	27.36	26.73*	27.43	27.16*
October	280.3	278.5	107.73	104.43	27.48	27.02	27.47	27.21
November	281.2	279.3	106.96	103.72	27.35	26.84	27.51	27.13
December	282.3	280.2	106.71	103.59	27.26	26.59	27.55	27.04
January 1987	283.5	281.1	107.22	102.88	27.32	26.38	27.50	26.89
February	284.5	281.9	107.89	104.15	27.46	26.53	27.55	26.97
March	285.9	282.7	107.56	104.86	27.43	26.82	27.57	26.93
April	287.1	283.5	107.35	105.43	27.29	27.04	27.53	27.13
May	288.2	284.1	108.41	105.71	27.58	27.21	27.56	27.20
June	289.3	285.1	107.92	105.40	27.53	26.89	27.60	27.23
July	290.8	286.0	107.18	105.53	27.42	26.95	27.67	27.26
August	291.7	286.9	105.93	106.04	27.17	27.12	27.64	27.35
September	293.2	287.7	105.81	106.09	27.12	27.11	27.61	27.31

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore	C.E.
April 1986	588.6	588.6	7.33	7.33	125.2	124.7	79.4	79.5
May	586.6	586.7	7.49	7.49	124.7	124.2	78.9	79.1
June	585.5	588.9	7.83	7.96	124.1	124.2	78.3	78.9
July	586.2	591.3	7.83	8.08	124.3	124.6	78.3	79.1
August	587.0	590.8*	7.85	7.51	124.4	124.8	78.2	79.0
September	587.7	589.7	7.60	7.84*	124.5	124.9*	78.1	78.9*
October	589.3	590.6	7.89	7.96	124.8	125.1	78.1	78.9
November	591.4	592.4	8.04	8.01	125.1	125.4	78.1	79.0
December	593.7	594.3	8.15	8.04	125.4	125.6	78.2	79.0
January 1987	596.8	596.6	8.20	8.16	125.7	125.7	78.2	78.8
February	599.2	598.7	8.10	8.23	125.9	125.8	78.2	78.7
March	601.3	601.2	8.22	8.26	126.1	126.0	78.1	78.7
April	603.4	603.1	8.28	8.32	125.9	125.8	77.9	78.4
May	606.2	604.7	8.33	8.35	125.7	125.7	77.6	78.1
June	609.3	607.1	8.39	8.48	125.4	125.8	77.3	78.0
July	611.8	609.2	8.47	8.59	124.8	126.0	76.8	78.0
August	614.7	611.2	8.55	8.68	124.5	126.1	76.6	77.9
September	617.4	613.6	8.63	8.50	124.2	126.3	76.4	77.9

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	325.4	325.4	286.8	286.8	311.3	311.6	113.5	113.7
May	326.0	326.0	288.6	288.6	311.7	311.7	113.8	114.2
June	327.6	327.5	288.5	288.5	311.6	311.6	114.9	114.5
July	327.6	327.6	287.4	287.3	309.2	308.5	114.7	114.7
August	328.3	328.2	288.6	288.3	310.0	307.7	114.9	114.7
September	329.6	329.5*	289.5	289.2*	308.1	306.0*	115.2	114.9
October	330.5	330.8	290.2	290.6	310.6	309.1	115.5	115.4
November	331.3	332.0	290.9	291.8	310.9	310.0	115.8	115.8
December	332.2	333.0	291.5	292.5	311.3	310.6	116.2	116.0
January 1987	333.3	333.9	292.3	293.0	311.9	311.1	116.5	116.4
February	334.3	334.8	293.1	293.6	312.6	311.9	116.8	116.7
March	335.4	335.8	294.0	294.3	313.3	312.4	117.2	117.0
April	336.5	336.9	295.0	295.1	313.9	313.0	117.6	117.3
May	337.9	338.0	296.2	295.8	314.4	313.7	118.0	117.8
June	339.0	338.9	297.3	296.2	314.9	314.1	118.4	118.1
July	340.0	340.1	298.1	297.0	315.3	315.3	118.8	118.5
August	341.1	341.2	298.8	297.6	316.0	315.6	119.1	118.9
September	342.0	342.3	299.6	298.3	314.6	313.5	119.4	119.3

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	113.2	113.1	104.4	104.4	105.6	105.5	121.5	121.4	112.0	112.0
May	113.4	113.3	104.9	104.8	105.8	105.8	121.7	121.6	113.0	112.8
June	113.7	113.8	105.1	104.9	106.0	106.1	122.1	122.3	113.6	112.9
July	113.9	114.0	105.3	105.1	105.7	106.1	122.6	122.5	113.8	112.8
August	114.2	114.0*	105.2	105.2*	105.7	106.1*	123.1	122.8*	114.0	113.0
September	114.6	114.3	105.4	105.3	106.1	106.5	123.5	123.1	114.2	113.3*
October	115.0	114.7	105.8	105.5	106.5	106.7	124.0	123.5	114.5	113.5
November	115.4	115.2	106.0	105.8	106.9	107.0	124.5	123.9	114.8	113.8
December	115.8	115.5	106.0	106.0	107.3	107.3	125.0	124.4	115.1	114.1
January 1987	116.1	115.8	106.3	106.2	107.5	107.5	125.4	124.8	115.5	114.3
February	116.4	116.1	106.5	106.4	107.6	107.6	125.9	125.3	115.8	114.4
March	116.8	116.4	106.7	106.7	107.5	107.8	126.3	125.7	116.1	114.6
April	117.2	116.8	106.9	106.9	108.1	108.0	126.9	126.2	116.4	114.9
May	117.6	117.2	107.1	107.1	108.7	108.4	127.5	126.7	116.7	115.2
June	118.0	117.5	107.2	107.4	109.3	108.6	128.0	127.2	117.1	115.5
July	118.4	118.0	107.4	107.7	109.5	108.9	128.5	127.8	117.6	115.7
August	118.8	118.4	107.6	107.9	109.3	109.2	129.1	128.3	118.0	115.9
September	119.2	118.8	107.8	108.1	109.7	109.5	129.6	128.9	118.4	116.2

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore	C.E
April 1986	-14.02	-12.07	178.5	178.5	4167	4161	3671	3660	19.6	19.6
May	-14.27	-14.21	178.8	177.9	4173	4175	3667	3656	2.8	6.7
June	-12.46	-14.17	179.2	177.5	4207	4191	3661	3660	-7.7	2.5
July	-13.66	-16.06	179.6	179.4	4218	4204	3677	3669	-1.3	9.4
August	-12.93	-13.32p	179.9	179.1	4235	4219	3686	3678	15.8	13.6
September	-13.88	-14.83	180.3	179.4	4244	4232	3684	3683	22.7	13.0
October	-13.59	-14.52	180.1	179.6	4271	4254	3698	3686	10.3	5.6
November	-13.22	-14.23	180.3	179.4	4293	4275	3707	3692	-7.6	1.2
December	-12.67	-13.83	180.6	179.2	4316	4299	3714	3706	-18.7	-3.6
January 1987	-13.78	-15.26	180.2	178.9	4342	4311	3727	3704	-7.8	-6.5
February	-13.11	-15.02	180.0	179.1	4363	4334	3735	3714	-5.1	-8.4
March	-12.65	-14.27	180.5	179.5	4384	4347	3741	3715	-3.0	-5.6
April	-14.06	-13.63	180.2	179.8	4401	4364	3742	3720	-1.6	-3.5
May	-12.93	-13.94	179.6	179.9	4418	4383	3744	3721	-1.4	-2.8
June	-13.01	-13.56	179.2	179.5	4435	4405	3746	3730	-2.4	-4.9
July	-14.93	-15.27	178.6	179.2	4454	4419	3749	3729	-5.3	-6.3
August	-13.02	-15.01	178.8	179.5	4474	4440	3757	3734	-6.7	-6.8
September	-12.24	-13.84	179.2	179.8	4494	4464	3764	3742	-8.1	-7.5

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	239.9	239.9	646.1	646.1	2621.6	2622.3	6.99	6.99	6.08	6.08
May	242.3	242.3	658.6	658.7	2647.0	2649.7	6.85	6.85	6.19	6.19
June	244.2	243.4	666.3	666.8	2667.3	2670.5	6.92	6.92	6.27	6.27
July	245.6	245.5	673.7	676.1	2685.0	2699.1	6.52	6.56	5.85	5.86
August	247.2	246.8	679.6	687.8	2702.5	2723.6	6.36	6.17	5.79	5.55
September	248.8	248.9*	686.1	694.1*	2720.9	2741.6*	6.32	5.83*	5.81	5.28*
October	250.3	250.3	689.1	698.1	2735.4	2757.4	6.48	5.76	5.93	5.33
November	251.9	251.7	694.2	702.2	2749.6	2771.6	6.59	5.84	6.07	5.39
December	253.5	253.1	699.3	706.1	2763.5	2786.5	6.52	5.96	6.06	5.46
January 1987	255.2	254.8	704.6	711.1	2784.7	2805.2	6.41	5.64	5.91	5.13
February	256.9	256.3	710.3	715.1	2806.5	2819.9	6.22	5.37	5.79	4.98
March	258.6	258.0	715.4	719.8	2829.2	2836.4	6.51	5.28	5.94	4.95
April	260.3	259.6	718.4	723.8	2843.6	2851.2	6.69	5.35	6.01	5.06
May	262.1	261.4	722.9	729.0	2861.7	2810.7	6.78	5.39	6.04	5.10
June	263.9	263.3	727.4	734.6	2880.7	2890.8	6.87	5.43	6.04	5.17
July	265.3	265.0	733.0	739.6	2898.3	2909.5	6.45	5.56	5.83	5.20
August	266.4	266.3	737.7	743.0	2915.2	2923.9	6.40	5.75	5.80	5.28
September	267.5	267.6	740.6	746.6	2927.0	2940.1	6.42	5.98	5.80	5.43

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	8.79	8.79	7.20	7.20	6.60	6.60	6.60	6.60	8.83	8.83
May	9.09	9.09	7.54	7.54	6.62	6.62	6.65	6.65	8.50	8.50
June	9.13	9.13	7.87	7.87	6.71	6.71	6.73	6.73	8.50	8.50
July	8.94	8.88	7.69	7.51	6.43	6.33	6.47	6.37	8.14	8.16
August	8.83	8.72	7.59	7.21	6.26	5.92	6.34	5.92	8.00	7.90
September	8.77	8.84*	7.47	7.14*	6.21	5.68*	6.30	5.63*	8.00	7.50*
October	8.89	8.80	7.51	7.08	6.53	5.60	6.63	5.60	8.00	7.50
November	9.03	9.02	7.68	7.31	6.62	5.75	6.72	5.79	8.00	7.50
December	9.20	9.17	7.85	7.46	6.55	5.98	6.65	6.05	8.00	7.50
January 1987	8.99	8.83	7.64	7.15	6.36	5.67	6.47	5.80	8.00	7.50
February	8.52	8.69	7.17	7.02	6.17	5.41	6.28	5.56	8.00	7.50
March	8.46	8.60	7.08	6.88	6.53	5.28	6.64	5.39	8.00	7.32
April	8.69	8.65	7.30	6.95	6.74	5.33	6.83	5.47	8.00	7.00
May	8.92	8.69	7.49	7.01	6.83	5.36	6.94	5.52	8.50	7.00
June	8.86	8.70	7.44	7.05	6.95	5.42	7.13	5.50	8.50	7.00
July	8.73	8.76	7.27	7.10	6.42	5.53	6.61	5.65	8.50	7.00
August	8.59	8.85	7.13	7.21	6.37	5.84	6.52	5.97	8.50	7.47
September	8.55	8.96	7.05	7.33	6.35	5.95	6.47	6.09	8.50	7.68

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